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UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

REPORT OF THE EXPERT GROUP MEETING ON COUNTER-TRADE IN DEVELOPING COUNTRIES: DEBT, LEGAL AND SERVICES ASPECTS

held at the Palais des Nations, Geneva,
from 11 to 13 November 1991

Organized jointly by: UNCTAD and the International Association of State Trading Organizations of Developing Countries (ASTRO)

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I. INTRODUCTION

1. The Expert Group Meeting on Counter-trade in Developing Countries, jointly organized by ASTRO and UNCTAD, was held in Geneva from 11 to 13 November 1991. It was attended by experts from developing countries, Eastern Europe and market economy countries, participating in their personal capacity. The list of participants is annexed (Annex II).

2. The meeting was opened by Mr. Carlos Fortín, Deputy to the Secretary-General of UNCTAD, who delivered a statement on behalf of the Secretary-General of UNCTAD. Mr. K.L.K. Rao, Executive Director of ASTRO, also addressed the meeting at its opening. Messrs. Fortín and Rao's statements are annexed (Annexes III and IV).

3. The meeting adopted the agenda which is annexed (Annex I).

4. The meeting elected the following officers:

Chairman: Mr. Jose Luis U. Yulo
President
Philippine International Trading Corp. (PITC)
Manila, Philippines

Vice-Chairman: Mr. Sergej Dolotov
Deputy Chairman
SOVFINTRADE
Moscow, USSR

Vice-Chairman: Mr. Andreas Kym
Financial specialist
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Lausanne, Switzerland

II. SUMMARY OF DISCUSSIONS

A. National organizations' coordination for counter-trade*: developing countries' experiences and possibilities for multilateralization (Agenda item 3)

5. The importance of having a focal point for information, monitoring, guidance or coordination within a country, which could steer STOs and private sector firms in their counter-trade deals was highlighted. The focal point could also maintain contacts with pertinent institutions and trading houses in other countries, so as to deploy efforts regionally and interregionally in an attempt to multilateralize transactions, bringing them closer to market conditions. Experience sharing, joint compilation of information and examination of triangular (or "pluriangular") transactions could also be discussed among focal points. Several participants referred to the nature, role and functions of their own national institutions.

6. Various experts from the private sector underlined the kind of activities that a national focal point could purposefully perform. The suggestions included: (i) the training of business managers in counter-trade techniques which may also have to include management schools; (ii) the preparation of surveys or lists of items that could be included in counter-trade transactions; (iii) the preparation and updating of information concerning policies applicable to counter-trade; (iv) the establishment of general trade facilitation units in order to advise the private sector on potentialities and opportunities; (v) the understanding of new techniques and mechanisms for multilateral clearing and trade financing; (vi) promoting and facilitating longer-term relationships between enterprises and focal points, so as to derive maximum benefits from trade for developmental purposes and private sector participation in these efforts; and (vii) reviewing the possibilities and opportunities of trade-creation using all available instruments including offset agreements, in order to help satisfy investment requirements and urgent developmental import needs. The particular relevance of offset agreements was underlined as having a strong developmental potential, thereby assuring this form of counter-trade a growing role for the future.

B. Emerging counter-trade policies and practices in the countries of Eastern Europe (Agenda item 4)

7. The examination of the situation in Eastern Europe and in the republics still constituting the Soviet Union, led to the conclusion that major political and economic changes have brought about the dismantling of the old Government-to-Government forms of counter-trade. The Council for Mutual Economic Assistance (COMECON), within the framework of which a large number of counter-trade agreements had been signed, has been dissolved. The countries

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*/ For the purposes of this report, the term "counter-trade" is to be understood in its widest sense, covering barter, buyback, counterpurchase, compensation, switch trading and offset agreements.

of the region also tend to liquidate their bilateral agreements with third countries. In addition, Soviet central authorities are on the verge of total disappearance, as individual republics take economic control over their respective territories and assume the commitments made by the former central authorities.

8. To different degrees, foreign trade regulations in East European countries, were contradictory and sometimes confusing. In the whole region, the negative experience with COMECON had made Governments cautious towards counter-trade as practised in the past. This aversion was compounded by the IMF and the GATT, which advised these countries against counter-trade practices. Yet, hard currency shortage, and, except for Russia, energy shortage, made counter-trade almost the only possible way of facilitating vital imports.

9. It was also noted that, in Eastern Europe, new, non-monopolistic shareholder companies were offering a wide range of trading services including switch and debt-buy-back. Therefore, there was a clear future for counter-trade in Eastern Europe, even if these countries followed the global trend towards trade liberalization.

C. Counter-trade and trading in services (Agenda item 5)

10. Services had been increasingly included in counter-trade contracts, for example, computer services, construction and engineering services, shipping, ship repair/dry docking services, film making and animation, tourism, management contracts and training. This had had the effect of creating new non-traditional exports, diversifying markets, acquiring advanced technical capabilities; creating employment opportunities; and addressing protectionism in markets of industrialized countries. It was recognized that for counter-trade in services to be successful, there was need to tap existing comparative advantages, such as abundant trained manpower, a good performance track record, market contacts, proven capability and resourcefulness, and inherent skills and talents.

11. There was a need for establishing realistic vehicles which would bring about cross-sectoral transactions, under which trading companies might utilize domestically available services as part of counter-trade arrangements. Several examples involving cross-sectoral transactions incorporating services, were described by the experts, particularly when they reflected existing capacities and capabilities. Information on possible cross-sectoral opportunities and priorities could be prepared and provided by trade departments and private trading enterprises, in order to enhance offset transactions. Various experts referred to the multiple effects from counter-trade transactions, involving both goods and services. In some instances, these had been successfully used to jump-start specific new projects.

D. Legal aspects of counter-trade: general contractual clauses (Agenda item 6) and Legal aspects: trade-for-debt contractual issues (Agenda item 8)

12. Each counter-trade contract necessarily reflected the characteristics and objectives of each case during the negotiation process. Several approaches and possibilities in formulating specific contracts were thus possible. Issues such as the selection of products for inclusion in counter-trade arrangements and their sales potentials, were of crucial importance in negotiating counter-trade contracts. A large part of the standard clauses contained in counterpurchase and trade-for-debt agreements were those of a normal sales contract. Specific clauses may be necessary in order to cover particular situations concerning payments, penalties, resale, guarantees, timetables and performance. Some suggestions were made as to the form and content of a checklist that might be prepared to help counter-trade operators in developing countries.

13. The most frequently used forms of payment include the customary letter of credit and other methods for guaranteeing the availability of funds, for both ends of the transaction to be fulfilled. This may be done through a banking establishment identified in the contract. Methods for insurance, record keeping, control of delivery and implementation also had to be devised. Various forms of swaps, factoring, certification, etc. were also discussed in this context. Areas such as transferability of contractual commitments, resale possibilities and credit arrangements were also discussed. Termination clauses could include force majeure, catastrophes and accidents.

14. As regards settlements of disputes, the best assurance against litigation was a contract that would satisfy the legitimate interests of all parties to the contract. Still, in case of differences, arbitration may be one possibility. In any case, it would be useful to be aware of the methods and laws applicable in these instances.

E. Counter-trade as an instrument for debt servicing with particular reference to the Peruvian experience (Agenda item 7); Application and relevance of the trade-for-debt mechanism to other developing countries (Agenda item 9) and Processes and techniques of counter-trade for debt servicing (Agenda item 10)

15. The Peruvian trade-for-debt experience was felt to have been valid and to have initially worked well. However, fiscal pressures resulted in the Government's inability to pay local currency to the exporters for goods already shipped. This, combined with external pressure to end the scheme on grounds of principle, surrounded the scheme with controversy. Although the scheme was suspended in April 1991, a subsequent meeting of the Paris Club with Peru had allowed ongoing agreements to be completed and may even have left the door open for individual Governments to permit their banks to resume the scheme. There was evidence that creditor banks abroad and Governments, were keen to resume the scheme. Some participants from the trading community complained of the bureaucratic obstacles that had impeded any deals that they had attempted to initiate under this scheme, to come to fruition. In view of

Peru's liberalization programme, under which all forms of foreign-exchange and trade controls had disappeared, it was likely that any revived trade-for-debt scheme would have to be handled exclusively by the private sector, without intervention by the Government or the Central Bank.

16. It was noted, moreover, that there has been successful trade-for-debt agreements elsewhere, as exemplified by a scheme between an Asian debtor country and an East European country, as well as the institution by a developing country of a pioneering arrangement on a trial basis with creditor banks in developed countries.

17. The short life of a modest trade-for-debt experiment in another developing country has been due to the threat of countervailing measures on the part of the Government of a leading market economy country.

18. The importance of additionality as a key element of any trade-for-debt scheme was generally reaffirmed by participants from developing countries. They explained that without additionality, debt-for-trade schemes might deprive debtor countries of the foreign exchange to pay for their most essential imports. However, some participants from trading firms based in developed countries, expressed doubts as to the usefulness of the concept on the grounds that any foreign purchase order placed in a debtor country should be welcomed, if it fulfilled a need.

19. The negative attitude of the creditor Governments towards the scheme could be explained by virtue of their unwillingness to juxtapose the issues of debt repayment and market access, even though these issues were intimately linked in the last instance. Some creditor countries also resisted any type of debt forgiveness plan, because of the negative fiscal effects this had on their tax take from participating banks. However, one participant reported that the Paris Club had exempted his country from the pari passu clause up to a ceiling of US$ 150 million.

20. One participant felt that trade-for-debt schemes were rare, since they contravened many countries' foreign exchange regulations. The scheme allowed debtors to pick and choose among its creditors with a view to giving preference to those likely to extend new loans. For such schemes to succeed, debtor-country Governments must be fully committed to back them up and all parties must stand to gain from them.

21. In connection with the latter point, illustrative examples were displayed that showed what each party might gain or lose. It was pointed out that no unique "bottom-line" could be drawn to determine the net gains and losses of each party, since this depended on the valuation they had placed on their non-performing credits/debits. It was suggested, however, that creditors eager to participate in the scheme were subsidizing the debtor country's exports. This may also be true of debtor-country central banks that were willing to pay more for this type of debt redemption, than what they might have to pay on the secondary markets.

22. There was agreement that trade-for-credit schemes were only one in a wide range of debt reduction schemes that must be weighed against each other. In fact, clear economic limits existed to the applicability of the scheme, inasmuch as a trade-for-debt scheme that was too successful would drive up the quotation of the debt instruments of the country concerned on the secondary markets, reducing the potential gains to be derived from the scheme pro tanto. Similarly, the scheme would lose its usefulness if many debtors were to attempt to flood world markets with similar hard-to-sell exports.

23. One participant described another scheme - similar to the buyback idea - linking exports with new debt to be incurred for the purchase of big-ticket investment items, under which a given volume of a particular export line is diverted to repay that debt.

24. One participant from a trading house expressed the view that creditor banks which are parties to trade-for-debt schemes, would provide for pre-shipment finance, so as to expand the debtor country's export capacity.

III. CONCLUSIONS AND RECOMMENDATIONS

25. In a situation of severe scarcity of foreign exchange, and/or debt servicing problems, it was better to make use of a variety of counter-trade possibilities rather than being locked into a no-trade situation.

26. While it was argued that government institutions in developing countries may not necessarily be actually involved in counter-trade transactions and operations, there was a necessity for Governments to play a policy-implementing role, particularly on the part of central banks and ministries of trade and finance.

27. There was need for coordination of national interests in order to undertake innovative commercial and financial engineering, which would multilateralize counter-trade transactions. Institutional arrangements would have to fit specific situations and country experiences.

28. Inasmuch as counter-trade in its novel form was a growing reality in many parts of the world, and in view of the various misunderstandings concerning the real character and effects of counter-trade, retraining possibilities should be offered by ASTRO and UNCTAD to East European experts and decision makers on the real and positive character of counter-trade. Such training programmes should also be made available to policy makers and traders from developing countries, academics, as well as to the representatives of IMF, GATT and regional development and commercial banks, so as to expose them to first-hand experiences of counter-trade across the world, especially in its most progressive forms such as offset and financial engineering agreements.

29. The introduction of services into counter-trade transactions has further broadened the possibilities of increasing and multilateralizing trade and offset transactions. However, this is a new field in which more study and training is required.

30. A legal guide for drawing up contracts in international counter-trade transactions, as well as an exhaustive checklist of what such contracts might include, should be prepared. The guidelines prepared by ASTRO, UNCTAD and the International Chamber of Commerce provided useful inputs, but a more detailed annotated checklist would be welcome, taking into account the work done by the United Nations Commission on International Trade Law (UNCITRAL).

31. While the legal guides mentioned above may not provide an answer for each and every situation or specific contract, their wider dissemination, particularly to trading companies in developing countries, would be desirable. In addition, there may be a need for annotated checklists incorporating actual sample contracts, which could be used by the parties in discussing and drawing-up the counterpurchase contracts.

32. Counter-trade should be included into the curricula of management schools and discussions of mechanisms, instruments and utilization of counter-trade operations should be introduced into ongoing programmes for high level managers and policy makers.

33. A roster of multilingual experts who could be used for training purposes, should be drawn up.

34. The usefulness of trade-for-debt schemes was tentatively accepted, even though the number of successful experiences specifically discussed at the meeting was too limited to pass a definitive judgement. Therefore further case studies should be prepared by UNCTAD and ASTRO for submission to an ad hoc seminar.

35. The stance taken by the IMF towards trade-for-debt schemes, warranted the inclusion of representatives of that institution in future multilateral meetings of this kind.

36. To the extent that any country chose to institute a trade-for-debt scheme, its operation may be subject to the following conditions:

(a) the current prices for the country's debt in the secondary market should be low;

(b) the country should be willing to engage in debt reduction and be fully conscious of all the implications of using this mechanism;

(c) the mechanisms must be subjected to some comparative cost/benefit analyses;

(d) the country must be able to reasonably determine the degree of export additionality that can be obtained through the use of this mechanism;

(e) the mechanism should be employed with awareness of the limitations that may arise from its own success. Rather than considering it as a panacea for debt reduction and trade expansion, it should be appreciated as an additional instrument to be employed whenever the cost/benefit analysis indicates that it is advisable to do so. Only then will it truly live up to expectations and become a genuine more-trade-for-less-debt mechanism.

Annex I

AGENDA

1. Election of officers

2. Adoption of the agenda and work programme

3. National organizations' coordination for countertrade: developing countries' experiences and possibilities for multilateralization

4. Emerging countertrade policies and practices in the countries of Eastern Europe

5. Countertrade and trading in services

6. Legal aspects of countertrade: general contractual clauses

7. Countertrade as an instrument of debt servicing with particular reference to the Peruvian experience

8. Legal aspects: trade-for-debt contractual issues

9. Application and relevance of the trade-for-debt mechanism to other developing countries

10. Processes and techniques of countertrade for debt servicing

11. Adoption of conclusions and recommendations.

Annex II

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Annex III

Opening statement by Mr. Carlos Fortín, Deputy to the Secretary-General of UNCTAD

First of all I would like to extend to all of you, on behalf of the Secretary-General of UNCTAD, a warm welcome to this Expert Group meeting on countertrade in developing countries. As you have read in the aide-memoire which was sent to you, the objective of the EGM is to take a fresh overview of the current developments in countertrade, with particular attention to the problems relating to the use of countertrade as an instrument of debt servicing, its relevance in the development of services and the associated legal problems.

In a world of perfect competition, total transparency of market information, equal access to marketing know-how and absence of public-sector intervention in the workings of the market, this meeting would not have been convened. We are aware that countertrade in its various forms is a sub-optimal solution for the trade and balance-of-payments problems confronting many developing countries.

But we are equally aware of the fact that textbook models of world trade as a way of maximizing the benefits of the international specialization of labour do not obtain in the real world, both developed and developing. Government contracts involving large sums are seldom given on the sole criteria of price, quality, after-sales service and respect for delivery dates. Governments in all countries must and do consider macroeconomic factors, such as employment, technological and trade implications, and in some cases, even purely political considerations. This is true not only of defence contracts, where the public sector is dominant par excellence, but even in high-tech fields, such as civil transport, telecommunications and computer technology.

When governments face severe balance-of-payments problems compounded by chronic debt-servicing difficulties, when lines of credit normally extended by foreign banks are blocked, the issue is no longer the choice of the ideal trade system, but rather whether to countertrade or not to trade at all. If you permit me to paraphrase Winston Churchill's famous dictum on democracy, countertrade may be a bad form of trade, but no trade is worse.

UNCTAD has never taken a position in favour or against countertrade. Rather, our Committee on Economic Cooperation among Developing Countries has requested the Secretary-General of UNCTAD to study and evaluate the contributions that trade practices such as countertrade can make to trade expansion and promotion among developing countries and to recommend ways and means to ensure that such contribution shall be positive.

We know, for instance, that much of the world's countertrade actually flows from and to developing countries, but generally by way of middlemen located in developed countries. In our view, such countertrade must be increasingly carried out by the buyer and seller countries themselves so as to develop long-term market and supply links.

In our seminars and training courses we have repeatedly stressed the limits and pitfalls inherent in countertrade. However, we have refused to close our eyes to this widely-proliferating phenomenon. We have attempted to clarify the issues surrounding countertrade for the benefit of policy makers in developing countries, by preparing background notes on the various aspects of countertrade and documentation on countertrade regulations, policies, practices and experiences of selected developing countries, and by organizing meetings such as this one, usually in cooperation with ASTRO. By doing so, we have attempted to provide some counterweight to the numerous seminars and conferences organized by and for the international business community, where the issues are understandably defined differently.

Inasmuch as this meeting brings together unquestioned experts in the field, we are here to learn from your experience. It is for this reason that we are asking you to focus on a series of specialized subjects not covered in depth in previous events of this nature. In particular, we would like you to examine the possibilities implicit in extending the range of countertraded exports from goods to services, on the well-founded assumption that the comparative advantage of many developing countries is at least as great, if not greater, in the labour-intensive service industries than it is in the exportation of non-traditional manufactured goods. In this connection, I must emphasize the point that countertrade as a long-term policy only makes sense if it opens the way to conventional forms of trade in the same or similar fields of exports, i.e. if there are well-founded prospects for competitivity once the initial obstacles to the opening-up of markets have been overcome.

Another issue to be discussed by you is of particular interest to developing countries suffering from a heavy debt burden, whose debt instruments are traded at large discounts on the secondary markets. Following the example set by Peru other countries are considering whether and how debt can be paid off by way of expanded exports rather than by the conventional way of reducing imports. Here again we may have much to learn from both the successes and the weakness of the Peruvian experience, on which we have several experts among us.

With regard to the legal aspects of countertrade, the various studies undertaken by UNCTAD have brought out the great diversity of legal regimes applied by developing countries. In some of these countries, specific laws and regulations have been adopted, in others, countertrade transactions were subjected to the general regulations governing foreign trade and in yet some others each transaction has been examined separately on a case-by-case basis. It was, therefore, necessary that an attempt should be made to establish some common guidelines which would, at least, provide the basis for drawing up and negotiating countertrade contracts by indicating those clauses that must not be neglected if a countertrade agreement is to be concluded successfully.

The profound changes that have and continue to occur in Eastern Europe and the Soviet Union have brought to an end the multitude of bilateral payments arrangements that bound many of these countries with their principal developing-country trade partners. The rigidities and shortcomings of these government-to-government agreements had long been recognized; in fact the shift to convertible-currency payments arrangements has been going on for many years. Nevertheless, it would be surprising if these trade flows could

continue at volumes even remotely approaching their former levels without the support of unconventional trade mechanisms, inasmuch as the extremely restricted earnings of convertible currency by Eastern European countries will be used first and foremost to purchase urgently-needed consumer and producer goods available only in the industrialized countries of the West. Here again we are facing the dilemma between imperfect trade or no trade, to which I alluded at the outset.

Last, but hardly least, you will be discussing the question of national organization and coordination of countertrade along with the possibilities of multilateralizing countertrade commitments. It is no exaggeration to state that an efficient national organization with consistent and transparent operating procedures on countertrade is a conditio sine qua non for any rational and successful countertrade policy. When various Ministries and official agencies vie and outbid each other for countertrade-financed development projects, the loser can only be the developing country itself. Moreover, one of the principal objectives that countertrade holds out for developing countries, namely, the training of local trading houses in finding marketing outlets for their countries' non-traditional exports, can only be achieved by a consistent policy designed to make local traders active and regular actors in integrating their countries' full trade potential into the world trading system.

Annex IV

Opening Statement by Prof. K.L.K. Rao, Executive Director, ASTRO

At the outset, permit me to add ASTRO's greetings to the welcome already extended to you by Mr. Carlos Fortin, Deputy to the Secretary-General of UNCTAD, to this UNCTAD/ASTRO joint Expert Group Meeting (EGM) on "Countertrade in Developing Countries: Debt, Legal and Services Aspects". May I also take this opportunity to thank you and your organizations for accepting the invitation and making it possible to participate in the EGM deliberations. We appreciate your support and look forward to your contributions.

This joint EGM is a continuation of the cooperation in the countertrade area between UNCTAD and ASTRO which commenced as early as 1985. In fact, it is upon the initiative of UNCTAD that the first state-of-the-art joint UNCTAD/ASTRO International Workshop on Countertrade was convened in June 1985 in Belgrade. Since then, a number of joint events in Asia, Africa, Latin America and Europe have been held to familiarize policy makers and traders in developing countries with the intricacies, potentialities and pitfalls of the various forms of countertrade. Parallelly, upon the directives of its executive organs, ASTRO has been building up a substantive information database on countertrade as well as assisting and developing countries in the conduct and organization of their countertrade deals - operations.

While these supportive developments are being put in place by ASTRO, countertrade in world trade, as a financing and a supplementary trading technique, has been getting refined and adapted to different national circumstances. For instance, barter as a variant of countertrade is less in vogue now than counterpurchase and buy-back; recent trends also indicate that buy-back, international compensation agreements and commercial offsets may gain greater prominence in future than other variants; innovative forms of countertrade like enterprise-to-enterprise reciprocity agreements, local currency payments arrangements, and trade-for-debt servicing would possibly come to the fore, concurrently.

In this context, while the EGM itself may dwell upon the current developments in countertrade and their applicability to the developing countries' trading and financing requirements, the basic thrust of the discussions would centre around the utilization of countertrade as an instrument of debt servicing or debt-for-goods conversion programme, initiated by Peru in 1988 and practised in several other countries since then. Considering that the current debt obligations of the developing countries stand at US$ 1.2 trillion and the export-debt service ratio continues to hover around 21 per cent, a debt-for-goods conversion programme may have greater relevance to developing countries than hitherto imagined. The same may be applicable to countries of Eastern Europe which are confronted to similar issues such as: the impact of debt servicing; large credit constraints in matters of foreign trade financing; and chronic deficits in the balance of trade and payments. Therefore, even with the best of intentions to trade in convertible currencies and adopt free trading practices in both groups of countries, it may not be so easily implemented to the desired extent.

It is in this framework of developing countries' needs and experiences and debt-for-goods programmes in particular, that the present EGM will examine the evolving issues of countertrade. Attention will also be devoted to similar experiences and problems faced by the countries of Eastern Europe in view of the relevance that countertrade had in the past and the great changes in countertrade as well as in trade in general which these countries are currently facing.

With the presence of so many distinguished practitioners - traders, bankers and policy-makers, it will be possible, in the next three days, to examine the issues in depth and formulate a set of conclusions and recommendations relevant to the future conduct of countertrade in developing countries.

Before I close, with your permission, may I say a few words about ASTRO. The initiatives for founding an association of state trading organizations in developing countries were taken at various fora of G-77 and NAM Conferences and at the UNCTAD/ECDC Meetings; eventually, it was established as a non-governmental organizations by the STOs themselves, with the co-sponsorship of UNDP, UNCTAD, ITC and ICPE. ASTRO as mandated by its Assembly and Executive Committee is, in the first place, a decidedly business-oriented organization of international character. The basic idea of ASTRO is to facilitate direct business contacts among trading partners, leading to business transactions and to enhance the professional expertise of STOs. At present, ASTRO has 50 members from 31 developing countries with the turnover of its members accounting for over US$ 50 billion a year. More have notified their interest to joint the Association.

In its activity orientation ASTRO covers the fields of trade information, mutual (trade) cooperation, training, business research and consultancy, for meeting the felt operational and business needs of trading enterprises. Following such mandate and based on its statutory provisions, ASTRO, over the years, has developed a variety of tangible services pertinent to members' business development.

While the basic aims and work of the institution as set forth in the First Assembly in Manila maintain their validity, some new accents and forms were recently emphasized by the Eleventh Session of the ASTRO Executive Committee where it was reconized that trading enterprises' participation in the ever more complex processes of international trade in its classical as well as special forms (countertrade, etc.), require corresponding, higher level of professional capabilities and institutional expertise in the trading process and competitive approach. In this context ASTRO, while continuing with its on-going activities in this field (specialized seminars, workshops, etc.), is also preparing for other innovative efforts, such as the establishment of the ASTRO Institute for Advanced Training in Trade Management (AITM).

Another proposed new activity of ASTRO relates to the "ASTRO Faciliation Centre for Industrial Offsets, Investments and Countertrade (ASTRACO)". ASTRO's contribution to trade among developing countries mainly implemented through the Trade Contact Service (TCS) and Comprehensive Reference Service on Countertrade, which ASTRO has established as on-going services, will further

expand by helping the trading organizations to directly conclude and implement transactions, upon their specific request and on a non-profit basis (for ASTRO). Such transactions will be fostered by an electronically operated information exchange system about offers and demand of goods and services. This latter part is being jointly undertaken with MULLER DATA CORPORATION, New York. The Eleventh Session approved this effort which had received the green light for such an endeavour from the Assembly of ASTRO in 1990 in Jakarta, Indonesia.

The Eleventh Session, having in view the interest of developing countries for a prospective cooperation among the state and private trading organizations, also underlined ASTRO's interest in assisting the developing countries in the broader issues of privatization of trade related public enterprises (TRPEs) without lessening, however, the continuation of its activities in the area of reform and restructuring of the state trading organizations which developing countries wish to maintain and strengthen.

The Eleventh Session of the Executive Committee is also proposing to the next session of the Assembly (1992) to accept private trading organizations as its regular members. It has also proposed that trading organizations from developed and East European countries can be affiliated members of ASTRO.

The foregoing developments, in short, reflect the growth of ASTRO; more importantly, in a manner of six years, it has established the relevance and possibility of South-South trade cooperation into a functioning organization. This has been attained with a limited membership, which is expected to increase gradually, a very small secretariat and relatively meagre funding. In view of such progress and the potential role that ASTRO can play in the Southern countries' trade development, the South Commission in its Final Report exhorted to the effect that "ASTRO should be invited to draw up a comprehensive programme for expanding cooperation among the State trading enterprises of the South in 1990s".

The development of ASTRO, as highlighted above, in a succinct way, is also at the same time the indicator of its future orientation. The Provisional Calendar of Activities for 1992, which is at your disposal, gives details on the type of activities that ASTRO is involved in; the thrust of these programmes is to initiate cooperation and development in the matters of South-South and South-East trade development. In this sense, ASTRO would also like to offer its competence and cooperation for a comprehensive support programme in the area of countertrade development, provided there is a consensus by the EGM on the processes and approaches to develop such a programme.

ASTRO will follow with great attention the deliberations of the EGM and is interested in initiating possible concrete cooperative action with interested partners and to further enrich trade development possibilities of the developing countries.

Annex V

List of documents

1. Working papers

(a) "Debt and Countertrade: The Peruvian Experience", by J. Borrani Williams (UNCTAD/ECDC/221 and UNCTAD/ECDC/221/Add.1).

(b) "Legal guide on drawing up contracts in international countertrade transactions", by C. Guzmán-Barrón (UNCTAD/ECDC/215 and UNCTAD/ECDC/215/Add.1).

(c) "Counterpurchase: a potential instrument for debt relief in selected African countries" by V. Monaldi and K. Netter (UNCTAD/ECDC/Misc.94).

(d) "Countertrade and trading services", by K.L.K. Rao.

2. UNCTAD background documents

(a) "Countertrade" - Background note prepared by UNCTAD secretariat (TD/B/C.7/82).

(b) "Countertrade regulations in selected developing countries", by Alfredo Castillo-Gómez (UNCTAD/ECDC/200).

(c) "Countertrade policies and practices by selected African and Latin American countries", by Thaddeus C. Kopinski (UNCTAD/ECDC/32).

(d) "Countertrade - Experiences of some Latin American countries", by I. Hodara (UNCTAD/ST/ECDC/27).

(e) "Countertrade polices and practices of selected Asian countries and their State trading corporation", by P.N. Agarwala (UNCTAD/ECDC/176/Corr.1).

(f) "Countertrade, use of commodities for debt payment and conversion of debt into investment", by M. Rodríguez-Mateo (UNCTAD/ECDC/205/Add.1).

(g) Report of the Afro-Latin American Interregional Seminar on Trade Expansion through Countertrade and Other Non-Traditional Methods (Rio de Janeiro 1989) (UNCTAD/ECDC/205).

(h) Informe del Seminario Taller para la expansión del comercio exterior del Perú a través del intercambio compensado y otras modalidades no convencionales (Lima, 16-18 de Octubre de 1989) (UNCTAD/ECDC/209).

(i) Report of the Asian and Pacific Regional Workshop on Counterpurchase, (Beijing, 30 November to 6 December 1987) (UNCTAD/ECDC/192).

(j) Report of the Asian regional Workshop on industrial co-operation and trade expansion through buy-back arrangements, (Bangkok 12-16 January 1987) (UNCTAD/ECDC 186).

(k) Handbook of private trading enterprises of Latin America and Caribbean (UNCTAD/ECDC/213).

(l) Handbook of private trading enterprises of sub-Saharan Africa (UNCTAD/ECDC/212).